

Message Text

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ORIGIN EB-07

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DRAFTED BY EB/OF/FPD:FSPILLMAN

APPROVED BY EB:JLKATZ

S/S: JHOGANSON

EUR/SOV:JCOLBERT

EB/OF/FPD:PDTAYLOR

EUR:JAARMITAGE

C:JMONTGOMERY

D: RPOATS

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FM SECSTATE WASHDC

TO USDEL SECRETARY IMMEDIATE

AMEMBASSY CAIRO IMMEDIATE

C O N F I D E N T I A L STATE 104057 TOSEC 110377

STADIS//////////

CAIRO FOR DEPUTY SECRETARY ROBINSON

E.O. 11652: GDS

TAGS: EAGR, ETRD

SUBJECT: BRIEFING MEMORANDUM: ADDITIONAL SOVIET PURCHASES

- OF US GRAIN

TO THE SECRETARY FROM EB-KATZ, ACTING

1. USDA ANNOUNCED APRIL 28 THAT THE SOVIET UNION HAD PURCHASED AN ADDITIONAL 3.4 MILLION METRIC TONS OF U.S. GRAIN, COMPOSED OF 2 MILLION TONS OF 1975 CROP CORN, 1.1 MILLION TONS OF 1976 CROP CORN FOR DELIVERY AFTER OCTOBER 1, 1976 AND 300,000 TONS OF 1976 WHEAT FOR DELIVERY AFTER OCTOBER 1. THESE SALES BRING SOVIET PURCHASES OF 1975 CROP GRAIN FROM THE US TO ABOUT 15.8 MILLION TONS. THIS IS ABOUT 1.2 MILLION TONS BELOW THE
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17 MILLION TON LIMIT ANNOUNCED AT THE TIME OF THE LIFTING

OF THE SOVIET GRAIN MORATORIUM FOR PURCHASE WITHOUT FURTHER
BILATERAL CONSULTATION.

2. FOLLOWING IS A BREAKDOWN OF ESTIMATED SOVIET PURCHASES
IN THE U.S. (IN MILLIONS OF METRIC TONS):

---- 1975/76 CROP --- 1976/77 CROP

WHEAT - - - - 4.394 - - - - .300

CORN - - - - 11.390 - - - - 1.100

OATS - - - - .058 - - - -

TOTAL----- 15.842 ----- 1.400

3. THE ADDITIONAL SOVIET PURCHASES, WHICH HAD BEEN
ANTICIPATED IN THE MARKET FOR SOME TIME, ARE WELL WITHIN
THE 17 MILLION TON CEILING ANNOUNCED IN OCTOBER, 1975.
AT THAT TIME, SECRETARY BUTZ INDICATED THAT THE SOVIETS
HAD AGREED TO CONSULT BEFORE MAKING PURCHASES BEYOND THAT
LEVEL. THE SALES OF 1.4 MILLION TONS FROM THE 1976 CROP
ARE COVERED BY THE US-USSR GRAIN AGREEMENT. USDA ESTI-
MATES TOTAL U.S. GRAIN SUPPLY FOR THE 76/77 MARKETING
YEAR AT 286.4 MILLION TONS, WELL ABOVE THE 225 MILLION TON
LEVEL BELOW WHICH THE U.S. COULD REDUCE SOVIET PURCHASES
UNDER THE GRAIN AGREEMENT.

4. THE US AND USSR HAVE AGREED IN PRINCIPLE TO HOLD THE
FIRST SEMIANNUAL CONSULTATION UNDER THE GRAIN AGREEMENT
IN LATE MAY IN WASHINGTON. THE DISCUSSIONS WILL BE AT THE
ASSISTANT SECRETARY LEVEL, WITH THE US SIDE BEING REPRE-
SENTED BY BELL OF USDA AND KATZ OF STATE. WE EXPECT THAT
THE CHIEF TOPICS WILL BE THE FUNCTIONING OF THE GRAIN
AGREEMENT AND POSSIBLE ADDITIONAL SALES FROM THE 1975 AND
1976 CROPS.

5. SINCE SOVIET PURCHASES FOR DELIVERY BEFORE OCTOBER
1 HAVE NOT REACHED 17 MILLION TONS, NO DECISION IS
REQUIRED ON WHETHER THAT LIMIT SHOULD BE EXCEEDED.

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USDA INTERPRETS

THE LIMIT AS APPLYING ONLY TO 1975 CAP GRAIN, LEAVING
NO LIMITATION ON PURCHASES OF 1976 WHEAT BETWEEN JULY 1
AND OCTOBER 1, WHEN THE LONG TERM AGREEMENT BEGINS.
STATE MAINTAINS THE 17 MILLION TON LIMIT APPLIES TO ALL
PURCHASES UNTIL OCTOBER 1.

6. PRESS REPORTS INDICATE THE SOVIET UNION ALSO

PURCHASED THIS WEEK ABOUT 2 MILLION TONS OF GRAIN FROM
CANADA AND 1 MILLION TONS FROM AUSTRALIA. SISCO

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